

25th October 2012

Company Announcements Officer
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Re: POSEIDON ANNOUNCES MINING RESERVE FOR CERBERUS ORE BODY

We enclose herewith a copy of an announcement in relation to the above.

Yours faithfully



David P.A. Singleton
MANAGING DIRECTOR &
CHIEF EXECUTIVE OFFICER

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CORPORATE DIRECTORY

Director / Senior Management

| | |
|-----------------|---|
| David Singleton | Managing Director & Chief Executive Officer |
| Andrew Forrest | Non-Executive Chairman |
| Geoff Brayshaw | Non-Executive Director |
| Richard Monti | Non-Executive Director |
| Chris Indermaur | Non-Executive Director |
| Ross Kestel | Company Secretary |

Corporate Enquiries

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Registered Office

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Home Exchange

The Company's shares are listed
on the Australian Securities Exchange
and the home exchange is Perth
ASX code: POS

ASX Announcement

25th October 2012

Poseidon announces Mining Reserve for Cerberus Ore Body

- **Probable Ore Reserve of 15,877 tonnes nickel at Cerberus mine over only part of total 68,600 tonnes indicated and inferred resource**
- **Life of Mine plan has selected a low cost sub level caving methodology**
- **Definitive Feasibility Study indicates Cerberus flotation recovery of 83% producing nickel in concentrate averaging 16% with low impurities**
- **Cerberus will be mined in conjunction with Mt Windarra and processed through a concentrator with a minimum throughput of 700,000 tonnes per annum**

Poseidon Nickel Limited (ASX:POS) is pleased to announce that as a result of the Windarra Nickel Projects Definitive Feasibility Study, an initial ore reserve has been assessed at the company's planned Cerberus underground mine. The upper portion of the Cerberus deposit, which is included in the life of mine plan, has been classified as a **Probable Ore Reserve** under the JORC code guidelines comprising;

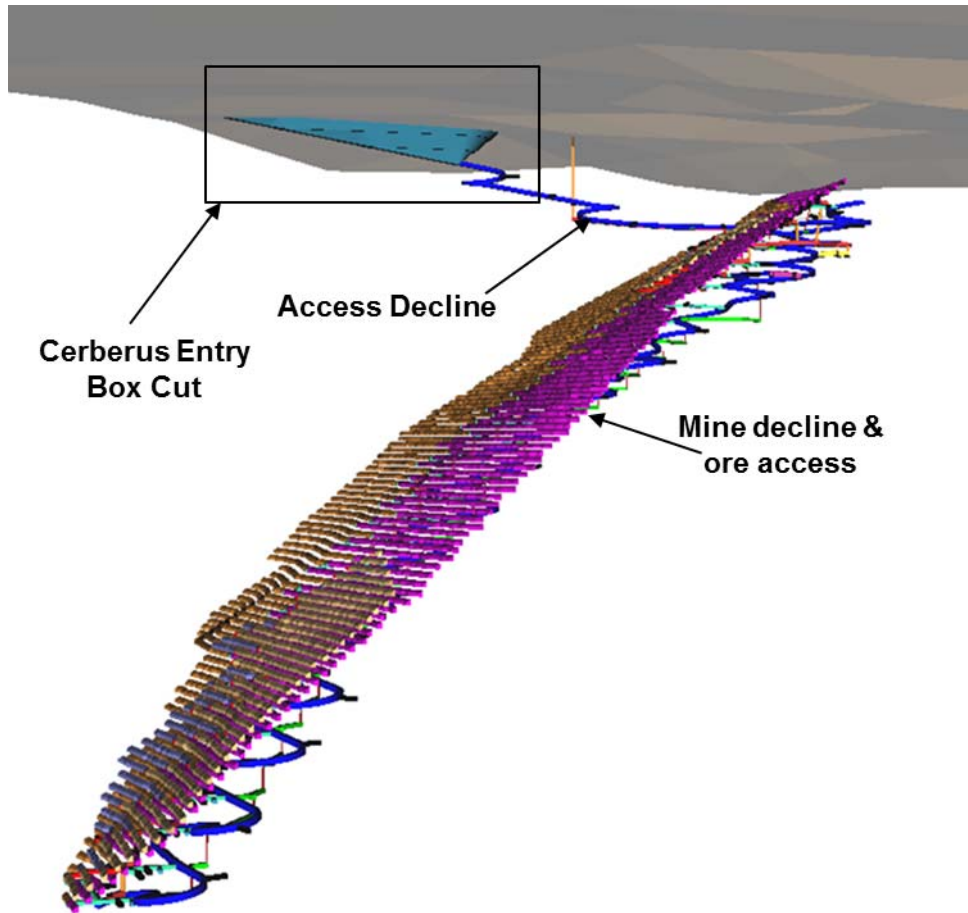
1,221,000 ore tonnes at an average diluted grade of 1.30% nickel for 15,880 contained nickel metal tonnes.

The initial ore reserve extends from 60 meters below the surface to a depth of 380 metres below the surface. The conversion of the resource to ore reserve only includes the upper portion of the deposit that has been drilled to JORC Indicated resource level. The Cerberus deposit contains a total resource (Indicated and Inferred) of **4,551,000t at an average grade of 1.51% for 68,600t of nickel metal**. The remaining deposit that is classified as Inferred resource, lies below the ore reserve and requires additional infill drilling to convert it to an Indicated level then it will be eligible for reserve estimation.

A total of 46% of the Indicated Resource was converted to Probable Reserves. The near surface-low grade halo at the southern end of the deposit and the thinner high-grade hanging-wall lodes were excluded from the reserve but may be included as nickel prices improve in the future. Poseidon is expecting a higher resource to reserve conversion for the remaining Inferred Resources which are situated below the defined reserves. The deeper Inferred Resources comprises higher total ore grades that are increasing with depth within the Cerberus ore body, replicating the grade distribution that is also seen at the Mt Windarra ore body. Cerberus has only been drilled to a depth of 700m below surface to date and is open at depth. Poseidon believes that the Cerberus ore body will continue to grow in width and depth with additional drilling.

Poseidon's mining consultants have assessed that the total mining cost equates to AU\$75.92 ore/tonne excluding capital or approximately US\$2.57/lb cash cost (excluding processing costs). The recommended mining methodology for Cerberus is longitudinal sub-level caving which accounts for the relatively low mining cost. The mining method is similar to open stoping except that once extracted, the hanging wall is allowed to cave as stopes are retreated back to the access. Access to the ore body will be via a decline.

Cerberus will be mined in conjunction with Mt Windarra, with a total output from both mines, in excess of 700,000 tonnes per annum. Ore will be processed through a new build concentrator at Mt Windarra. Poseidon has previously announced that the Cerberus ore body, which was discovered in 2008, has good flotation characteristics, with a recovery of circa 83% producing a low impurity nickel concentrate with an average grade of 16% (excluding Mt Windarra ore).



Graphic of mine plan for the Cerberus ore body developed by Poseidon's independent mining consultants

RESERVE STATEMENT

| Cerberus Nickel Project | Reserve Category - Nickel Sulphides | | |
|-------------------------|-------------------------------------|-----------|------------|
| | Probable | | |
| | Tonnes | Ni% Grade | Ni Metal t |
| Total Gold Tailings | 1,221,000 | 1.30 | 15,880 |

RESOURCE STATEMENT

| Windarra Nickel Project Sulphides | Cut Off Grade | Resource Category - Nickel Sulphides | | | | | | | | |
|-----------------------------------|---------------|--------------------------------------|-----------|------------|-----------|-----------|------------|-----------|-----------|------------|
| | | Indicated | | | Inferred | | | TOTAL | | |
| | | Tonnes | Ni% Grade | Ni Metal t | Tonnes | Ni% Grade | Ni Metal t | Tonnes | Ni% Grade | Ni Metal t |
| Mt Windarra | 0.75% | 974,000 | 1.25 | 12,400 | 2,977,000 | 1.88 | 55,900 | 3,951,000 | 1.73 | 68,300 |
| South Windarra | 0.80% | 772,00 | 0.98 | 7,500 | - | - | - | 772,00 | 0.98 | 7,500 |
| Cerberus | 0.75% | 2,773,000 | 1.25 | 34,600 | 1,778,000 | 1.91 | 34,000 | 4,551,000 | 1.51 | 68,600 |
| Total Sulphide | | 4,519,000 | 1.21 | 54,500 | 4,755,000 | 1.89 | 89,900 | 9,274,000 | 1.56 | 144,400 |

| Windarra Gold Tailings Project | Resource Category - Gold Tailings | | |
|--------------------------------|-----------------------------------|-------------|---------|
| | Indicated | | |
| | Tonnes | Grade (g/t) | Au (oz) |
| Total Gold Tailings | 10,993,000 | 0.52 | 182,500 |

| Windarra Nickel Tailings & Oxide Project | Cut Off Grade | Resource Category – Nickel Oxide & Tailings | | | | | | | | |
|--|---------------|---|-----------|------------|----------|-----------|------------|------------|-----------|------------|
| | | Indicated | | | Inferred | | | TOTAL | | |
| | | Tonnes | Ni% Grade | Ni Metal t | Tonnes | Ni% Grade | Ni Metal t | Tonnes | Ni% Grade | Ni Metal t |
| Woodline Well | 0.50% | | | | 344,000 | 1.25 | 4,300 | 344,000 | 1.25 | 4,300 |
| Sth Windarra Dumps | 0.00% | 2,976,000 | 0.41 | 12,200 | | | | 2,976,000 | 0.41 | 12,200 |
| Central Tailings Dam | 0.00% | 9,602,000 | 0.34 | 32,600 | | | | 9,602,000 | 0.34 | 32,600 |
| Total Oxide | | 12,578,000 | 0.36 | 44,800 | 344,000 | 1.25 | 4,300 | 12,922,000 | 0.38 | 49,100 |

Note: The information in this report relates to Exploration Results, Mineral Resources and Ore Reserves based on information compiled by Mr N Hutchison, General Manager of Geology at Poseidon Nickel, who is a Member of The Australian Institute of Geoscientists, Mr I Glacken who is a Fellow of the Australasian Institute of Mining and Metallurgy as well as a full time employee of Optiro Pty Ltd and Mr D Grubic, Technical Services Manager at Rock Team Pty Ltd. Mr Hutchison and Mr Glacken have sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.'

Mr Grubic is a full time employee of Rock Team Pty Ltd and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australian Code for Reporting Ore Reserves."

Mr Hutchison, Mr Glacken and Mr Grubic have consented to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Australian Securities Exchange has not reviewed and does not accept responsibility for the accuracy or adequacy of this release.